

World Bank Group

The Multilateral Investment Guarantee Agency (MIGA)

FY2002 Appropriations	FY2003 Scheduled Request	FY2003 Arrears Request	FY2003 Total Request
\$5.0M	\$0	\$3.6M	\$3.6M

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, was chartered in 1988 to encourage foreign direct investment by providing investment insurance (guarantees) against non-commercial risks (i.e., expropriation, transfer restrictions, currency inconvertibility, and political violence) in developing countries. It provides political risk insurance products similar to OPIC's, but without OPIC's U.S. investor eligibility requirements. MIGA and OPIC maintain a good working relationship. OPIC has reinsured and co-insured U.S. investment projects in developing countries with MIGA.

For FY2003, the Administration is requesting \$3.6 million to clear one-third of U.S. arrears to MIGA.

Key Facts

- The U.S. is the largest shareholder in MIGA with 27,838 shares or nearly 15% of the voting power, at the end of WBFY01.
- U.S. investors are second only to the Dutch as the largest group of MIGA insurees, accounting for almost 20% of MIGA's portfolio. As such:
 - Through September 30, 2001, MIGA had issued a total of 151 contracts (about 28% of total contracts) to U.S. investors for about \$2.1 billion in coverage to support investment projects in 34 developing countries. These contracts have facilitated more than \$13.5 billion of foreign direct investment (FDI).
 - As of September 30, 2001, outstanding coverage to U.S. investors totaled \$648 million.
- During WBFY01 alone, MIGA issued 66 new guarantee contracts, totaling \$2.0 billion in gross coverage. Twenty-eight developing member countries benefited from these new MIGA guarantees, including for the first time, Jordan, Panama and Togo. Twenty-six contracts were issued in IDA eligible countries, representing 24% of MIGA's gross issuance in dollar terms.
- To date, MIGA has issued 539 guarantees worth \$9.2 billion.
- In 2001, U.S. contributions to MIGA totaled nearly \$5 million.

- To date, MIGA has facilitated some \$41.2 billion in foreign direct investment in 78 developing countries.
- MIGA's total gross exposure outstanding as of end-WBFY01 was \$5.2 billion, up from \$4.4 billion at end-WBFY00.

Efforts to Strengthen MIGA Operations

MIGA is a financially prudent underwriter, and has developed a portfolio that is well diversified both in geographic and sector terms. Its most active sectors include financial services, infrastructure, manufacturing, mining, and other services. Within the financial sector, MIGA has diversified toward leasing, mortgage financing and investment funds, in addition to general banking. MIGA is making a specific effort to promote small and medium-sized investments, particularly in the financial, agribusiness, tourism and manufacturing sectors.

Currently, there are no claims pending against MIGA. In June 2000, MIGA paid \$15 million on an investment dispute in Indonesia. The government of Indonesia has begun to reimburse MIGA for this claim. This was the first claim filed against MIGA since it started operations in 1988.

Key actions to strengthen operations included:

- MIGA has continued to focus on activities that bolster the four priority areas that MIGA established as part of a major review of its activities in WBFY00, required by its charter.
 - developmental effectiveness,
 - financial soundness,
 - client orientation, and
 - partnerships.
- MIGA identified investment niches underserved by other insurers, including:
 - African countries;
 - IDA-eligible countries;
 - Investments between developing countries (i.e., South-South investments), and
 - Small- and medium-sized enterprises.
- In WBFY2001, MIGA's increased emphasis on Africa and IDA-eligible countries produced tangible results. MIGA issued guarantees for 18 projects in IDA-eligible countries including 8 new projects in Sub-Saharan Africa.
- The result is that, as of WBFY01, MIGA has gross exposure of:
 - 12% in Africa and
 - 30% in IDA-eligible countries.

South-South investments

- In WBFY01, MIGA issued 12 guarantee contracts worth \$197 million to investors from Brazil, Israel, Mauritius, Panama, Singapore, South Africa and Turkey for investments in Brazil, Ecuador, Kazakhstan, Mozambique, Nicaragua and Vietnam.

Small and medium-sized enterprises

- In FY01, MIGA issued coverage for 18 small and medium-sized enterprises.

Partnerships

- Consistent with U.S. calls for increased partnerships, MIGA complemented national investment insurance (such as OPIC) by actively collaborating on a range of coinsurance and reinsurance relationships. In WBFY01, MIGA signed Memoranda of Understanding with seven additional national investment insurers and development agencies. In WBFY02, MIGA signed two additional agreements with Proparco, a French development agency, and the Thai export credit agency.
- MIGA leveraged its guarantee coverage through expanded partnerships with private insurers, as five new private insurers joined its coinsurance program, bringing the total to thirteen. In addition to leveraging MIGA's resources, the coinsurance program aims to encourage private insurers to enter new emerging markets.

Technical Assistance and Advisory Services

- In addition to information services, MIGA offers long-term technical assistance to help developing countries attract foreign investment and promote exports. In FY01, MIGA implemented 59 projects in 38 countries. Assisting governments in developing Internet-based investment promotion is a major focus of MIGA's technical assistance.
- MIGA has also supported the development of the African Trade Insurance Agency by training ATI staff and supporting membership development efforts. The ATI is a new agency created by African governments to provide noncommercial risk insurance for investors in Africa. Founding members include Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia.

Client Outreach efforts

- During 2001, MIGA expanded its client outreach efforts. It opened an office in Paris to complement field representatives in Southern and Eastern Africa, Bosnia, Switzerland and Japan. In FY01, MIGA's mobile office program held seminars in Asia, Latin America, West Africa and Southeastern Europe. Field offices and mobile offices make MIGA more accessible to developing country clients.

Supporting U.S. Objectives

To meet preconditions for U.S. participation in the GCI, MIGA committed to policy actions in three priority areas:

- Adopt contract language on core labor standards;
- Create an inspection function; and
- Adopt environmental and information disclosure policies.

MIGA has followed through on all three commitments.

Core Labor Standards

In 1998 MIGA adopted a policy prohibiting the use of harmful child labor and forced labor in projects it supports, and requiring MIGA insurees to adhere to all domestic laws in host countries having core labor standards. In addition, MIGA adopted language in its standard contracts (the General Conditions for Equity Investments) requiring borrowers to exercise due diligence to comply with these requirements.

Inspection Function

In mid-1999, MIGA established a Compliance Advisor/Ombudsman (CAO) jointly with the IFC, to serve as an Inspection Function and to promote greater accountability and transparency. In April 2000, MIGA adopted the operational guidelines developed by the CAO. The CAO duties include:

- Assessing compliance with operational policies and procedures,
- Providing advisory services to senior Bank management,
- Investigating complaints made against projects, and
- Developing guidelines, eligibility criteria, and processes and procedures for dealing with complaints.

Environmental, Evaluation and Information Disclosure Policies

In WBFY00, MIGA launched its new environmental assessment and disclosure policies and implementing procedures. These are posted on MIGA's Internet web site (<http://www.miga.org>), along with notices of the availability at the World Bank InfoShop in Washington of Environmental Impact Assessments for sensitive projects (classified as category A projects). MIGA uses its website and other methods to disseminate information on policies and procedures.

In WBFY01, MIGA established a new operations evaluation unit to monitor and measure the development effectiveness of its guarantees and its advisory and technical assistance services.

Information Dissemination

MIGA actively uses new technologies to disseminate information on investment opportunities and business operating conditions in developing member countries. It has three major Internet sites, which receive over 23,000 visitors per month. Traffic has doubled since January 2000.

The IPAnet Web site, or Investment Promotion Network (<http://www.ipanet.net>), provides information and analysis on the investment environment and business opportunities in emerging markets worldwide. The site has 19,000 registered users and thousands of additional users. Forty percent of IPAnet registrants are based in North America.

MIGA's PrivatizationLink (<http://www.privatizationlink.ipanet.net>) is an internationally recognized Web-based source of data on privatization programs in emerging markets worldwide. PrivatizationLink, as well as other MIGA services, promotes economic growth and more efficient resource allocation, encourages political transparency, and stimulates fair business practices by the free dissemination of information. In WBFY01, PrivatizationLink disseminated information about over 700 privatization projects in 57 countries, including 91 projects in sub-Saharan Africa.

MIGA designed and launched an Internet service to highlight investment opportunities in Russia, www.russia.privatizationlink.com in 2000. In 2001, MIGA helped to develop the African Connection Telecomms Database

To provide high-quality information on its websites MIGA has partnerships for content with the U.S.-based private sector business information providers – Northern Light and Trade Compass. MIGA has strong working relationships with U.S. government agencies, including the Commerce Department's BISNIS, a business information service for Russia and NIS, and USAID.